

**HSC Pension Scheme Statement
for the year ended 31 March 2016**

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for the year ended 31 March 2016**

*Laid before the Northern Ireland Assembly by the Department of Finance
under section 10(4) of the Government
Resources and Accounts Act (Northern Ireland) 2001*

01 July 2016



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HSC Pension Scheme Statement for the year ended 31 March 2016

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A) ACCOUNTABILITY REPORT

REPORT OF THE MANAGERS

Background to the Scheme

Statutory basis for the Scheme

The HSC Pension Scheme is an unfunded occupational scheme, which is open to all HSC employees and employees of other approved organisations. The Scheme provides pensions in varying circumstances for employees of participating employers. The Scheme receives contributions from employees and employers to defray the costs of pensions and other benefits payable.

Scheme provisions are governed by the following regulations:

- The Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995, as amended
- The Health and Social Care (Pension Scheme) Regulations (Northern Ireland) 2008, as amended
- The Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015, as amended
- The Health and Personal Social Services (Compensation for Premature Retirement) Regulations (Northern Ireland) 1983, as amended
- The Health and Personal Social Services (Superannuation) (Additional Voluntary Contributions) Regulations (Northern Ireland) 1999, as amended

On 1 April 2008 a new section of the HSC Pension Scheme was introduced for new members (the 2008 Section). Most members of the Pension Scheme who joined prior to 1 April 2008 will be in the old section (the 1995 Section). New joiners, on or after 1 April 2008, will be members of the 2008 Section.

On 1 April 2015 a new career average scheme was introduced for new members and members of the 1995 Section and 2008 Section who were more than 13 years and 5 months from their normal retirement age on 1 April 2012.

Eligibility to join the Scheme

The employers of HSC Pension Scheme members are classified as Employing Authorities or Direction Bodies. Employing Authorities are defined in the Regulations and their staff have automatic entry to the Scheme. Non-HSC employers can apply for Direction Body status in order that their staff may join the Scheme provided they meet specific criteria.

Main features of the Scheme, including benefits and how they are funded

The Scheme is a final salary scheme. Members of the 1995 Section receive a pension of 1/80th of the best of the last three year's pensionable pay for each year of membership.

Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon 1.4% of total pensionable earnings over the relevant pensionable service. The lump sum is normally three times the annual pension payment.

Members of the 2008 Section receive a pension of 1/60th of the average of the best three consecutive year's pensionable pay in the last ten for each year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon 1.87% of total pensionable earnings over the relevant pensionable service. There is no automatic lump sum entitlement; however, members can choose to receive a lump sum which may be a maximum of 25% of the value of their fund at retirement.

The 2015 Scheme is a Career Average Revalued Earnings (CARE) Scheme, with benefits based on a proportion of pensionable earnings each year. The pension is built up at a rate of 1/54th of each years pensionable earnings. Active members accrued pension benefits are revalued in line with the Consumer Prices Index plus 1.5%. There is no automatic lump sum entitlement; however members can choose to receive a lump sum by giving up some of their accrued pension.

Management of the Scheme

From 1 April 2009 the HSC Pension Service, part of the Business Services Organisation (BSO), has been responsible for the administration of the HSC Pension Scheme.

The Scheme is managed by the Department of Health, which is responsible for Scheme legislation.

HSC employers are required to comply with Scheme Regulations, including submission of pension data to the HSC Pension Service.

Contributions

Employers' contributions to the Scheme are determined by the Scheme Actuary (the Government Actuary's Department) and are on the basis of salary bands, which are reviewed annually and are a percentage rate of the member's pensionable earnings. The percentage rates payable are reviewed as part of the periodical actuarial review which takes place at least every 4 years.

Key developments in year

The HSC Pension Scheme Board was formed during the year as a result of recent legislation to ensure compliance with governance and administration requirements. There were no other key developments to be reported during the year.

Changes in contributions

Band	Salary range	2015-16
1	Up to £15,431.99	5.0%
2	£15,432.00 to £21,477.99	5.6%
3	£21,478.00 to £26,823.99	7.1%
4	£26,824.00 to £47,485.99	9.3%
5	£47,486.00 to £70,630.99	12.5%
6	£70,631.00 to £111,376.99	13.5%
7	£111,377.00 and over	14.5%

Changes in benefits

Pension payments in 2015-16 increased by 1.2% (effective 6 April 2015).

Scheme Changes – Legislative Changes 2015-16

Title of legislation	Effective Date	Purpose	Applies to
Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015 (S.R. 2015 No.120)	1/4/2015	New Pension Scheme 2015 (CARE) Regulations	All members of the new 2015 Scheme
Health and Personal Social Services (Superannuation Scheme, Additional Voluntary Contributions and Injury Benefits), Health and Social Care (Pension Scheme) (Amendment) Regulations (Northern Ireland) 2015 (S.R. 2015 No.121)	1/4/2015	Introduce amendments to the 1995 Section, 2008 Section, AVC Regulations and Injury Benefit Regulations as a consequence of the introduction of the new 2015 Pension Scheme	Both sections of the AVC regulations and Injury Benefit regulations
Health and Social Care Pension Scheme (Transitional and Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015 No.122)	1/4/2015	Makes provision for persons who have service in the 1995 and 2008 sections and who become members of the new 2015 Scheme	Both sections of the Scheme

Title of legislation	Effective Date	Purpose	Applies to
Health Service Workers (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015 No.167)	1/4/2015	Makes modifications to primary pension legislation (in particular contracting out / tax legislation) to ensure those joining the new scheme from the old scheme are not detrimentally affected.	Both sections of the Scheme

Membership statistics

Active members				
Active members at 1 April 2015				
			61,462	
Retrospective adjustment*				
			(770)	
Add:	New entrants		1,320	
Less:	Retirements in the year		(1,290)	
	Transfers out		-	
	Undecided leavers		(668)	
	Refunds		(11)	
	Deaths		(7)	
	Unclaimed refundable service		-	
	Leaving with deferred rights		(9)	
Active members at 31 March 2016			60,027	
Deferred members				
Deferred members at 1 April 2015				
			14,867	
Retrospective adjustment*				
			47	
Add:	Members leaving with deferred rights		30	
Less:	Taking up deferred rights		(387)	
	Rejoining scheme		-	
	Transfers out		(50)	
	Deaths		(9)	
Deferred members at 31 March 2016			14,498	
Pensioners in payment				
		Members	Dependents	Total
Pensioners in payment at 1 April 2015				
		18,497	3,595	22,092
Retrospective adjustment*				
		(168)	(46)	(214)
Add:	Retiring at normal retiring age	1,238	-	1,238
	New dependents	-	260	260
	Retiring on ill health grounds	-	-	-
	Retiring previously deferred	339	-	339
	Retiring, previously in receipt of compensation payments	45	-	45
Less:	Commutated pension	(6)	-	(6)
	Death in year	(332)	(167)	(499)
Pensioners in payment at 31 March 2016		19,613	3,642	23,255
Compensation payments > 60				

Department of Health, Social Services and Public Safety
HSC Pension Scheme Statement 2015-16

Members in receipt of compensation payments at 1 April 2015				2,114
Retrospective adjustment*				72
Add:	Members leaving under early retirement			-
Less:	Members retiring at normal retirement age			(40)
	Deaths before normal retirement age			(62)
Members in receipt of compensation payments at 31 March 2016				2,084
Ill health retirement				
Ill health retirement members at 1 April 2015				8,237
Retrospective adjustment*				(20)
Add:	Members retiring on ill health grounds			249
Less:	Deaths in year			(228)
At 31 March 2016				8,238
Compensation payments < 60				
Members in receipt of compensation payments at 1 April 2015				101
Retrospective adjustment*				7
Add:	Members leaving under early retirement schemes during the year			-
Less:	Members retiring at normal retirement age			(45)
	Deaths before normal retirement age			-
Members in receipt of compensation payments at 31 March 2016				63
Undecided leavers**				
Undecided leavers at 31 March 2016				1,929
Undecided leavers at 31 March 2015				1,313

* A retrospective adjustment to a member's status comes about when an action on the member's record is carried out at a point later than the actual date the requirement for action occurred, due to the data gathering process required to enable the action to take place.

**Undecided leavers are reported by headcount as this reflects the basis on which GAD have calculated the pension scheme liability for this pension scheme statement.

Financial position as at 31 March 2016

The movements in the Scheme during the year are summarised in the Statement of Comprehensive Net Expenditure and net expenditure for the year is £894,972k.

Income mainly comprises contributions from employers (who are defined per page 2 above), of £279,557k and employee contributions of £161,350k. Other receipts include transfers in of £6,517k from other schemes (note 4) and other pension income of £13k (note 5).

The charge to the Statement of Comprehensive Net Expenditure recognises the movements in the scheme liability (other than those arising from actuarial gains and losses). This comprises the current and past service cost of £700,001k, enhancements of £5,283k, transfers in of £6,517k and interest on scheme liabilities of £630,000k. Payments also include other pension expenditure of £608k as per note 10 to the financial statements.

Disclosure of information to auditor

The Principal Accounting Officer, Permanent Secretary of the Department of Health, has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditors are aware of such information. So far as he is aware there is no relevant audit information of which the entity's auditors are unaware.

Events after the reporting period

There were no events after the reporting period requiring adjustment or disclosure in these financial statements.

Independent Public Service Pension Commission

On 10 March 2011 the Independent Public Service Pensions Commission's Final Report from Lord Hutton was published, summarising Lord Hutton's proposals for the reform of public service pension schemes. The main recommendations of the review are that:

- the Government must honour in full the pension promises that have already accrued to scheme members, maintaining the link to final salary for past service;
- a new career average revalued earnings (CARE) scheme should be adopted for general use in the public service schemes, with existing members being moved to the new schemes as soon as practical;
- pension benefits in the CARE schemes should be uprated in line with average earnings while members are accruing benefits;
- flexible retirement should be encouraged, while abatement in its current form should be eliminated and caps on pension accrual should be removed or significantly lifted;
- member's Normal Pension Age in the new schemes should increase to be in line with the State Pension Age, and should be regularly reviewed to ensure the link remains appropriate;
- there should be a fixed cost ceiling, which if exceeded should be followed by a consultation process to bring costs back within the ceiling; and
- immediate savings could be made by increasing the member contribution rate. In this respect, the Government have already announced that it will implement progressive changes to the level of employee contributions such that employee contribution rates will increase by 3% on average by 2015-16.

In line with the Commission's view that the recommendations should be implemented before the end of this Parliament a new HSC Pension Scheme was introduced on 1 April 2015.

Information for Members

Further information about the Scheme, and its sections, can be found on the HSC Pensions Website www.hscpensions.hscni.net which is accessible to all members and employers.

Additional Voluntary Contributions (AVCs), Free-Standing Additional Voluntary Contributions (FSAVCs) and Stakeholder Pensions

The Pension Scheme has continued to offer a range of in-house top up money purchase AVC and Stakeholder Pension facilities from Standard Life and an AVC only facility from Equitable Life which is closed to new members.

Managers

Accounting Officer: Mr R Pengelly
Permanent Secretary
Department of Health, Social Services and Public Safety
Castle Buildings
Stormont Estate
Belfast
BT4 3SQ

Scheme Administrator: Business Services Organisation
Waterside House
75 Duke Street
Derry
County Londonderry
BT47 6FP

Advisers

Pension Scheme Actuary: Government Actuary's Department
Finlaison House
15-17 Furnival Street
London
EC4A 1AB

Legal Advisers Departmental Solicitors Office
Victoria Hall
12 May Street
Belfast
BT1 4NL

Legal Department
Business Services Organisation Headquarters
2 Franklin Street
Belfast
BT2 8DQ

Auditor Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Bankers Danske Bank
Donegall Square West
Belfast
BT1 6JS

Employers Principal employers:

Health and Social Care Board
Health and Social Care Trusts
Health and Social Care Bodies

Additional bodies permitted to join:
General Practitioners
Staff employed by General Medical Practitioners
Direction Bodies

Contact for enquiries and complaints

Any enquiries or complaints about the HSC Pension Scheme should be addressed to:

Mr M Bradley
The Scheme Administrator
HSC Pension Service
Waterside House
75 Duke Street
Londonderry
BT47 6FP

REPORT OF THE ACTUARY

Introduction

This report has been prepared by the Government Actuary's Department at the request of the Department of Health, Social Services and Public Safety ('DHSSPS'). It summarises the pensions disclosures required for the 2015-16 Annual Report and Financial Statements of the Health and Social Care Pension Scheme for Northern Ireland ('HSCPS' or 'the Scheme').

The HSCPS is a defined benefit pension scheme with various different benefit structures. In the existing schemes there are two main sections (the 1995 section with normal pension age (NPA) 60 and the 2008 section with NPA 65), the rules of which are set out in the Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995 (SI 1995/95), the Health and Social Care (Pension Scheme) Regulations (Northern Ireland) 2008 (SI 2008/256) and subsequent amendments to both. Both sections provide benefits to practitioners on a career average, rather than final salary, basis. The HSCPS 2015 is a career average revalued earnings (CARE) scheme with NPA equal to State Pension Age, the rules of the scheme are set out in the Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015 (SR 2015/120). The schemes are wholly unfunded. I am not aware of any informal practices operated within the schemes which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2016 to reflect known changes.

Membership data

Tables A to C summarise the principal membership data as at 31 March 2012 used to prepare this statement.

Table A – Active members

Number (thousands)	31 March 2012 membership data		2015-16 financial statements	
	Total salaries (pa) (£ billion)	Total accrued pensions (£billion)	Total salaries implied by receipts (£billion)	
57	1.66	0.35	1.7	

Table B – Deferred members

Number (thousands)	31 March 2012 membership data	
	Total deferred pension* (pa) (£million)	
16.2	34.9	

Table C – Pensions in payment

31 March 2012 membership data		2015-16 financial statements
Number (thousands)	Total pension* (pa) (£ million)	Total pension (pa) (£ million)
27.8	224.6	290.4

* Pension amounts are as at the valuation date and so exclude pension increases due in April 2012

Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2015-16 Pension Scheme Statement. The contribution rate for accruing costs in the year ended 31 March 2016 was determined using the PUCM and the principal financial assumptions applying to the 2014-15 Pension Scheme Statement.

This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Principal financial assumptions

The principal financial assumptions adopted to prepare this report are shown in Table D.

Table D – Principal financial assumptions

Assumption	31 March 2016	31 March 2015
Rate of return (discount rate)	3.60%	3.55%
Rate of earnings increases*	4.20%	4.20%
Rate of future pension increases	2.20%	2.20%
Rate of return in excess of:		
Pension increases (CPI)	1.37%	1.30%
Earnings increases	-0.60%	-0.65%
Expected return on assets:	n/a	n/a

* short term adjustments have been made to this assumption for the period to 2020

The pension increase assumptions up to and including 31 March 2016 are based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

The demographic assumptions adopted to prepare this report were derived from the specific experience of the scheme membership. The standard mortality tables known as S1NXA (for normal health pensioners and dependants) and S1IXA (for ill-health pensioners) are used but with mortality rates reduced to 80% (males) and 85% (females) of actual rates (100% for both male and female future ill-health pensioners). These assumptions are the same as those adopted for the 2014-15 Financial Statements. Mortality improvements are in accordance with those incorporated in the 2014-based principal population projections for the United Kingdom. This assumption has been updated in line with the latest ONS projections. The 2014-15 Financial Statements were based on the 2012-based projections.

The contribution rate used to determine the accruing cost in 2015-16 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2014-15 Pension Scheme Statement.

Liabilities

Table E summarises the assessed value as at 31 March 2016 of benefits accrued under the scheme prior to 31 March 2016 based on the data, methodology and assumptions described above. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
£ Billion					
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(16.96)	(17.52)	(15.13)	(11.83)	(10.50)
Surplus/(Deficit)	(16.96)	(17.52)	(15.13)	(11.83)	(10.50)
Of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2016 (the Current Service Cost) is based on a standard contribution rate of 40.6%. Members contributed between 5.0% and 14.5% of pensionable pay, depending on the level of their pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost taking into account an estimated average rate of contributions paid by members of 9.5%. The corresponding figures for 2014-15 are also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay	
	2015-16	2014-15
Standard contribution rate	40.60%	35.50%
Members’ estimated average contribution rate	9.50%	9.40%
Employers’ estimated share of standard contribution rate	31.10%	26.10%

For the avoidance of doubt, the actual rate of contributions payable by employers, 16.3% of pensionable pay for 2015-16, is not the same as the employers’ share of the standard contribution rate as above (31.1% for 2015-16). This is because the actual employer contribution rate was determined as part of a funding valuation using different assumptions. The key difference between the assumptions used for funding valuations and Pension Scheme Statements is the discount rate. The discount rate for Pension Scheme Statements is set each year by HM Treasury to reflect the requirements of the accounting standard IAS19.

The pensionable payroll for the financial year 2015-16 was £1.7 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2015-16 (at 40.6% of pay) is assessed to be £0.69 billion.

A past-service cost of £9m has been included for 2015-16 in recognition of the announced Government policy to provide full indexation on GMPs for members who reach SPA between 6 April 2016 and 5 December 2018.

Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2016 of changes to the most significant actuarial assumptions.

The most significant assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

There is significant uncertainty associated with how members will retire in future, both for those remaining in the current scheme where recent patterns of retirement have been materially different to historic patterns, and as a result of the scheme reform for those members who will move across to the new scheme. Assumed patterns of age retirement after normal pension age can have a significant impact on liabilities in the 1995 section and so I have included an indication of the approximate effect (on the total past service liability) of assuming all 1995 section members retire at their Normal Pension Age (on average this equates to members retiring approximately 2 years earlier than assumed). The pattern of retirements from the 2008 section doesn’t have a significant impact on the liability as both early and late retirements are subject to actuarial adjustment.

Table G shows the indicative effects on the total liability as at 31 March 2016 of changes to these assumptions (rounded to the nearest ½%).

Table G - Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability	
Financial assumptions		
(i) discount rate*: -1/2% a year	+11.50%	+£2.0 billion
(ii) (long term) earnings increase*: -1/2% a year	-1.50%	-£0.3 billion
(iii) pension increases*: -1/2% a year	-7.50%	-£1.3 billion
Demographic assumptions		
(iv) each pensioner subject to longevity of an individual 1 year younger than assumed:	+2.50%	+£0.4 billion
(v) 1995 section members retire at their Normal Pension Age (approximately equivalent to assuming members retire around 2 years earlier):	+1.50%	+£0.3 billion

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.



Sue Vivian
Government Actuary's Department
18 May 2016

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Department of Health, Social Services and Public Safety HSC Pension Scheme to prepare for each financial year financial statements in the form and on the basis set out in the Accounts Direction.

The financial statements must give a true and fair view of the state of affairs of the Scheme at the year end and of the net resource outturn and cash flows for the year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Assembly or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme Rules and the recommendations of the Actuary.

In preparing these financial statements, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the Accounts Direction issued by the Department of Finance (formerly Department of Finance and Personnel), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going-concern basis.

The Department of Finance has appointed Mr R Pengelly as Accounting Officer for the HSC Pension Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme are set out in the Accounting Officers' Memorandum issued by the Department of Finance and published in *Government Accounting Northern Ireland*.

GOVERNANCE STATEMENT

Introduction

This statement is given in respect of the Health and Social Care Pension Scheme Statement for 2015-16. It outlines the Department's governance framework for directing and controlling the function and how assurance is provided to support me in my role as Accounting Officer for the Department of Health, Social Services and Public Safety and is also applicable to the management of the HSCPS. As Accounting Officer, I have responsibility for maintaining a sound system of internal governance that supports the achievement of the Department's policies, aims and objectives. I also have responsibility for safeguarding the public funds and departmental assets in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

As Accounting Officer, I have a duty to satisfy myself that the HSCPS administrators have adequate governance systems and procedures in place to promote the effective, efficient conduct of their business and to safeguard financial propriety and regularity.

Corporate Governance in Central Government Departments: Code of Good Practice 2013

The Department applies the principles of good practice outlined in the Code and continues to further strengthen its governance arrangements. The Department does this by undertaking continuous assessment of its compliance in line with the Corporate Governance Code.

Governance Framework

In my role as Accounting Officer, I function with the support of the Departmental Board (the Board). This includes highlighting to the Board specific business implications or risks and, where appropriate, the measures that could be employed to manage these risks or implications. I am also required to combine my Accounting Officer role with my responsibilities to the Minister, which includes providing advice on the allocation of Departmental resources and the setting of appropriate financial and non-financial performance targets for the Business Services Organisation (BSO) as HSCPS administrator.

The Departmental Board

The Departmental Board (the Board) represents the collective and strategic leadership within the Department, in conjunction with the experience and contribution of two Independent Board Members. The Board supports me as Accounting Officer in directing the business of the Department as effectively as possible, to achieve the objectives and priorities set by the Minister. The Board has a key role in overseeing the sound financial management and corporate governance of the Department including the HSCPS and closely monitors the Department's progress in the achievement of key objectives and priorities set out in the Departmental Business Plan, including Programme for Government commitments.

The Board ensures that appropriate risk management procedures are in place within the Department and it scrutinises the governance and performance of ALBs and the HSCPS based on an assurance and accountability framework.

The strategic aims, policies and strategies for the Department are set by the Minister. The role of the Departmental Board is to support me, as the Accounting Officer, in establishing the necessary governance and assurance mechanisms to ensure effective and efficient delivery of the Minister's priorities and other statutory functions of the Department. In line with best practice, the operational procedures of the Departmental Board are kept under continuous review and a more detailed evaluation is conducted every few years. The last review was undertaken in 2013-14 and the next review is scheduled for 2016-17.

Executive Board Members 2015-16	
Mr R Pengelly	Permanent Secretary
Mr S Holland	Deputy Secretary, Social Care Policy Group
Mrs C McArdle	Chief Nursing Officer
Dr M McBride	Chief Medical Officer
Mrs D McNeilly	Deputy Secretary, Health Care Policy Group
Mrs J Thompson	Deputy Secretary, Resources and Performance Management Group and Senior Finance Director
Independent Board Members 2015-16	
Dr C King	Independent Board Member
Mr M Little	Independent Board Member

Independent Board Members (IBMs) provide support, guidance and challenge to the Departmental Board. As Accounting Officer, I have regular meetings with the IBMs and carry out annual performance assessments.

Management Information

The Board reviews regular reports from the HSCPS to challenge performance against targets. These reports have been the subject of considerable refinement over recent years and are continually revised to allow them to identify and respond to emerging challenges.

In June 2012, the Board agreed a new Framework for Business Planning, Risk Management and Assurance. The Framework provides a clear and common understanding of business planning, risk management and assurance processes in the Department, along with associated guidance.

The requirements of HSCPS Governance within the Department have evolved to ensure that the accountability review process is more balanced in terms of governance and performance. Submission and acceptability of Board level information and reports is subject to challenge.

Quality of Information

The Board receives a range of management information about matters such as Finance, Human Resources, the Departmental Business Plan, the Departmental Risk Register and the Governance and Performance of ALBs including the HSCPS, to assist it in discharging its role. Regular formal reviews of the operation of the Board include the quality of information provided to it. In addition, Board members, collectively and individually, keep the quality of reported information under continuous review and seek enhancements as necessary to support the Board and its committees.

Departmental Audit and Risk Assurance Committee (DARAC)

DARAC Members 2015-16		No. of meetings attended
Dr C King	IBM and Chair of DARAC	4/4
Mr M Little	IBM and DARAC Member	4/4
Mrs J Pyper	Chief Executive Utility Regulator	2/4
Mr T Connolly	Finance Director Department of Education	3/4

The DARAC is a Committee of the Board and meets four times per year, with additional topic focused meetings. DARAC comprises four members, each of whom is independent of Departmental management. Other officials in attendance at DARAC meetings include the Departmental Accounting Officer, the Senior Finance Director, the Director of Finance, the Head of Internal Audit and officials from the Northern Ireland Audit Office (NIAO).

The DARAC gives detailed attention to internal governance issues, including the quality of risk management and corporate governance within the Department. This also includes consideration of HSC wide issues or any other issues outwith the Department that affect my role as the Department's Accounting Officer.

An example of this in respect of the adequacy of the arrangements by which I hold ALB Accounting Officers to account for the performance and governance of their organisations. Systems for responding to recommendations made by authoritative external bodies, including the Public Accounts Committee, NIAO, and the Regulation and Quality Improvement Authority (RQIA), are also examined. The DARAC advises the Board and me as Accounting Officer on its conclusions and recommendations with regard to identified governance weaknesses.

DARAC – Responsibilities and Performance

In line with best practice set out in the HMT Audit and Risk Assurance Committee Handbook, the Chair of DARAC sets an agreed core programme of work for each of its quarterly meetings, which includes:

- Scrutiny of the Departmental accounts;
- Consideration of internal audit strategy;
- Review of internal and external audit findings; and
- Monitoring of residual audit recommendations.

The Department provides regular reports to DARAC on risk management and assurance in the Department and the accountability and assurance of its ALBs. In addition, DARAC considers and comments on individual issues of internal governance and their implications for wider governance arrangements.

The DARAC conducts a self-assessment according to guidelines issued by the National Audit Office on a regular basis. The findings of the self-assessment are presented to DARAC for action as appropriate. In addition, the Chair of the DARAC delivers an annual report to both the Departmental Board and the DARAC and also reports to the Board following each quarterly meeting of the DARAC.

The DARAC has also considered the HSC Pension Scheme Statement for 2015-16 and on the basis of the evidence presented, has recommended the HSCPS to the Departmental Accounting Officer for approval.

Top Management Group

As Accounting Officer, I am supported by my Top Management Group, which comprises the Executive Board Members. It provides a forum for the consideration and endorsement of corporate business and the handling of the emerging issues.

Departmental Framework for Business Planning, Risk Management and Assurance

Business planning and risk management is at the heart of governance arrangements to ensure that statutory obligations and Ministerial priorities are properly reflected in the management of business at all levels within the Department.

The Framework for Business Planning, Risk Management and Assurance provides a clear and common understanding of business planning, risk management and assurance processes in the Department, along with associated guidance. In order to ensure its continued effectiveness, a review of the Framework commenced in 2014-15. The review sought feedback from each business area regarding their application of the Framework, and included engagement with the Departmental Internal Audit Group to consider any emerging issues/lessons learned from its ongoing programme of directorate governance audits. The review's outcome is currently being finalised.

Business Planning

In establishing its strategic objectives, the Department takes its lead from the statutory framework governing the functions of the Department and the specific priorities set by the Minister and the Executive, including those outlined in the Programme for Government. The Departmental Business Plan also takes account of the governance arrangements that the Department must put in place for the proper discharge of its responsibilities as a Government Department and public authority e.g. financial probity, equality, human rights etc. Within a budget period, the existing Departmental Business Plan is rolled forward into a new fiscal year.

The Departmental Board is the custodian of the Departmental Business Plan's affordability and deliverability. Progress against the Departmental Business Plan is addressed at quarterly Board meetings and includes formal quarterly written reports in Red, Amber or Green format against each of the targets in the fiscal year.

It is the responsibility of Executive Board Members to ensure that the Directorates under their control have appropriate plans in place. It is essential that linkages between plans at Departmental and Directorate level are clearly stated. Similarly, there must be a clear connection at all levels between objectives and associated risks. This is evidenced through the risk management, business planning and assurance processes operated within the Department.

Risk Management

Risk management is an organisation-wide responsibility. In the Department there are two key levels at which the risk management process is formally documented:

- The Departmental Risk Register focuses on the principal risks to the Department's delivery of its statutory responsibilities and strategic objectives including those of the HSCPS; and
- Directorate risk registers focus primarily on the risks to the achievement of Directorate objectives including those of the HSCPS.

Directorate business plans must be directly linked to the delivery of the Departmental Business Plan. Similarly there must be a clear connection at all levels between objectives and associated risks. Formal processes exist to escalate objectives and associated risks from Directorate to Departmental level, subject to the approval of the Departmental Board.

The Departmental Risk Register is reviewed at the beginning of the financial year to update all risks, controls and actions. These are maintained in conjunction with the Departmental Business Plan. It is therefore subject to the same Departmental Board reporting arrangements.

Executive Board Members are responsible for ensuring that the Directorates under their control have a business plan and fully-linked risk register. I require bi-annual formal written assurances from Executive Board Members and Directors about the proper operation of business planning and risk management within their business areas. Where a risk identified at Directorate level becomes unmanageable within the Directorate's resources, or where it threatens to impact on Departmental objectives or across Directorates, it must be escalated to the Departmental Board and considered for inclusion on the Departmental Risk Register.

The system of internal governance is designed to help manage risk rather than to eliminate it and controls must at all times be commensurate with the nature of the risk. A set of risk assessment criteria has been developed, agreed and applied by those Departmental officials involved in the risk assessment process.

The system of internal governance is based on an on-going process to identify and prioritise the risks to the discharge of the Department's statutory responsibilities, including the delivery of its strategic objectives. The system also determines the controls and analyses the risks in terms of their impact and likelihood of realisation in conjunction with the controls.

The system of internal governance has been in place in the Department for the year ending 31 March 2016 and continues up to the date of approval of the HSC Pension Scheme Statement. This accords with Department of Finance guidance.

The system of internal governance entails monitoring and reporting on: a) the delivery of Ministerial/Departmental Policy; b) the use of resources (including financial, human, estate and information); c) compliance with statutory requirements; d) statistical and other performance monitoring reports; e) the content of external and internal audit reports; f) serious adverse incident reporting; g) RQIA and other reports prepared by inspecting/regulatory/licensing bodies; h) inquiry reports; i) compliance with standards and guidance; j) the discharge of statutory functions; k) corporate governance and, l) business planning arrangements. These are with respect to both the Department itself and its ALBs, including the HSC Pension Scheme.

The DARAC also plays a key role in providing advice on the quality of risk management and assurance within the Department. Additionally, risk monitoring and management processes within the ALBs are monitored by the Department through separate processes, as highlighted in the '*Governance and Accountability within DoH ALBs*' section below.

Information Risk

Safeguarding the Department's information is a critical aspect of supporting the Department in the delivery of its objectives. Central to achieving this is the effective management of information risk. The arrangements in place to manage this risk include:

- The Assistant Departmental Security Officer (ADSO) regularly reviews Departmental information to ensure that it is appropriately protected;
- A Senior Information Risk Owner (SIRO) and Information Asset Owners (IAOs) are in place to reduce the risk to personal information within the Department;
- Regular reviews and updates of the personal information asset register; and
- IAOs are aware of their responsibilities to ensure information is securely stored, access-controlled and disposed of appropriately.

Regular mandatory awareness training is delivered to Departmental staff, providing them with an up-to-date understanding of information governance issues and risks.

Restrictions exist to protect access to and disposal of electronic and paper records and the Department has an Information and Records Management Policy Statement underpinning its records management arrangements. Appropriate guidance, central controls and a disposal schedule process all govern the retention and disposal of Departmental Records.

The Department and the HSC Pension Scheme had no data loss-related incidents in 2015-16.

Governance and Accountability within DoH ALBs including the HSCPS

Governance and Accountability can be considered under the following headings:

- ALB Assurance and Accountability;
- Departmental Assurance;
- Controls Assurance Standards;
- Statutory Duty of Quality; and
- Service Frameworks.

HSCPS Assurance and Accountability

The Department, including the HSCPS, achieves its corporate objectives through direct Departmental action and through its 17 ALBs. The Chief Executives of ALBs (as ALB Accounting Officers) are directly accountable to me (Permanent Secretary of the Department) as Principal Accounting Officer. ALBs through their Boards are held to account for the delivery of their prescribed functions and Ministerial/Departmental priorities and ensuring compliance with other statutory responsibilities. The HSCB also performs a key role, alongside the Department, in relation to the performance and financial management of HSC Trusts.

The Department gains assurance on probity in the use of public funds and governance application in the wider sector through an assurance and accountability framework and its associated guidance. The framework applies to the 16 Health and Social Care (HSC) Bodies and to the Northern Ireland Fire and Rescue Service. The guidance and arrangements described within the assurance and accountability framework have been developed to meet the responsibilities placed on the Department, under Managing Public Money NI, for the sponsorship of ALBs operating under the control of DoH.

The framework enables the Department and Minister to be assured that each of the ALBs, including the HSCPS, is delivering on the Programme for Government, Ministerial and statutory responsibilities and Department policy and strategy. In so doing, the Department is also able to give substantive assurances that public funds allocated to its ALBs, including the HSCPS, are being used to deliver the intended objectives.

The framework details the roles and responsibilities of all Departmental staff, including Executive Board Members and sponsor branches, in addition to informing the format and structure of the biannual accountability process. Through its sponsor branches, the Department engages directly with each ALB, commensurate with the level of risk the body poses to the Department. ALB risks can either be escalated in the Department, through the ALB accountability review process, or highlighted to the Department through the other formal and informal interactions that the sponsors, Executive Board Members and professional staff maintain with ALBs.

During 2015-16, the Department reviewed its assurance and accountability arrangements to ensure it is complying with Managing Public Money NI (MPMNI) and other relevant guidance and is receiving effective and proportionate assurance from its ALBs. The review concluded that the Department is meeting the requirements set out in MPMNI. Any issues of compliance were dealt with by the review or will be addressed through mainstream work of the Governance Unit and sponsor branches.

Departmental Assurance

The Department receives much of its assurance through an on-going process of monitoring of the BSO acting as the HSCPS administrator, including Corporate Governance, Use of Resources and the Delivery and Quality of Services. In addition to regular monitoring information derived primarily from management information systems, the Department periodically tests the assurance provided by initiating external reviews, audits, inquiries, ad-hoc and self-assessment exercises which are designed to sample aspects of the governance arrangements and performance of the BSO administration of the HSCPS.

This monitoring is based on assessing the operation and performance of ALBs against standards, guidance and targets; statutory and licensing requirements and Departmental policy and strategy. Three important examples of these are Controls Assurance Standards; the statutory Duty of Quality and Service Frameworks.

Sources of Independent Assurance

The Department obtains independent assurance from the following sources in relation to the HSCPS:

- Departmental Internal Audit Group;
- Northern Ireland Audit Office; and
- Business Services Organisation Internal Audit.

Departmental Internal Audit Group (IAG)

The Department's IAG reports directly to the Departmental Accounting Officer and attends and provides reports to the DARAC. It therefore plays a crucial role in the review of the effectiveness of risk management, controls and governance by:

Focusing audit activity on the key business risks:

- Being available to guide managers and staff through improvements in internal controls;
- Auditing the application of risk management and control as part of Internal Audit reviews of key systems and processes; and
- Providing advice to management on the internal governance implications of proposed and emerging changes.

The IAG operates in accordance with Public Sector Internal Audit Standards. The annual audit plan is derived from an analysis of the Departmental Risk Register. The remit of the IAG includes an assessment of internal financial controls and the wider internal environment which affects the achievement of Departmental objectives. IAG submits regular reports to management and the DARAC, which include the Head of Internal Audit's (HIA) independent opinion on the adequacy and effectiveness of the Department's system of internal control, together with recommendations for improvement.

The HIA has provided me with an opinion on the Department's management of risk, control and governance. The Internal Audit opinion reflects an aggregate assessment of Internal Audit activity over a four year period from 2012-13 to 2015-16. This indicates that, overall, the system of governance, risk management and internal control within the Department is satisfactory.

Northern Ireland Audit Office (NIAO)

The NIAO provides reasonable assurance that an organisation's financial statements give a true and fair view, have been prepared in accordance with the relevant accounting standards and are in accordance with the guidance issued by relevant authorities. The results of the NIAO's financial audit work are reported to the Northern Ireland Assembly.

The NIAO also seeks to promote better value for money through highlighting and demonstrating ways in which improvements could be made to realise financial savings or reduce costs; safeguard against the risk of fraud, irregularity and impropriety; attain improvements in service provision; support and enhance management, administrative and organisational processes.

A representative of the NIAO attends the DARAC quarterly meetings at which corporate governance and risk management matters are considered.

Business Services Organisation (BSO) Internal Audit

BSO Internal Audit is a centralised service which provides reasonable assurance in relation to internal audit and specialist advice and guidance to Boards within HSC organisations and Departmental ALBs, including the HSC Pension Scheme. The Department reviews the Head of Internal Audit's (HIA) mid and end-year independent opinions, on the adequacy and effectiveness of each of the ALBs and the HSC Pension Scheme's system of internal control, together with any recommendations for improvement. The opinion for 2015-16 was satisfactory.

Review of Effectiveness of the System of Internal Governance

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal governance. My review of the effectiveness of the system of internal governance is informed by the work of the Department's IAG and the Executive Board Members within the Department, who have responsibility for the development and maintenance of the internal framework. I also consider the comments made by the NIAO in its management letter and other reports. I have been advised by the DARAC on the implications of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place. This is evidenced through DARAC's review of the Departmental Governance Statement and the DARAC Chair's annual report to me as Accounting Officer.

Internal Governance Divergences

Prior Year Issues

There were no governance matters arising in previous years.

New Issues for 2015-16

No governance matters arose during 2015 -16.

Conclusion

The Department of Health, Social Services and Public Safety has a rigorous system of accountability which I can rely on as Accounting Officer to form an opinion on the probity and use of public funds, as detailed in Managing Public Money NI. The system operates on a principle of devolved authority and the accountability framework structure across the Department's operating base.

Further to considering the accountability framework within the Department, including the BSO, and in conjunction with assurances given to me by the DARAC, I am content that the DoH and the HSC Pension Scheme have operated a sound system of internal governance during 2015-16.


Mr R Pengelly
Accounting Officer
29 June 2016

HSC PENSION SCHEME

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the HSC Pension Scheme for the year ended 31 March 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the HSC Pension Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the HSC Pension Scheme; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Scheme Managers, Report by the Actuary and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2016 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance (formerly Department of Finance and Personnel) directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

Opinion on other matters

In my opinion:

- the information given in the Report of the Scheme Managers and Report by the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

Report

I have no observations to make on these financial statements.


KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

30 June 2016

